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SIPDIS

SENSITIVE

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER

¶E. O. 12958: N/A
TAGS: ECON ETRD EPET ZI
SUBJECT: Deregulation Deal Could End Dry Spell for Fuel Dealers

SENSITIVE BUT UNCLASSIFIED -- NOT FOR INTERNET POSTING

¶1. (SBU) Summary: Fuel continues to be very scarce throughout the country. There are widespread rumors that multinationals will soon be allowed to import fuel and sell at a market price, but no formal approval has yet materialized. This would eliminate the GOZ's fuel subsidy, currently over 60 percent, and perhaps triple a pump price that has already increased 6-fold since February. Although importers are poised to move swiftly once the GOZ gives its permission, logistics indicate that "swift" might mean 4-5 weeks. The implications of an announced revival of a fuel import deal with Libya on this scenario are unclear. End summary.

¶2. (SBU) Fuel is extremely hard to find on the local market due to the cash-strapped GOZ's inability to pay its subsidy. Queues have diminished in some areas, but only because so few shipments are coming to the stations that there is no use in queuing. Although the "official" pump price continues at Z$450 (US $.19) per liter, one businessman reported that black-market fuel (the only kind available) is now going for about Z$3000 per liter (USS $1.27 per liter, or $5.08 per gallon). Some reports indicate that even established stations are diverting large proportions of any shipments received to the black market in order to recover some of their operational costs. Given the number of cars still on the roads, it is clear that some fuel is getting to certain consumers. However, very little of it is coming through the stations to the average motorist.

Multinationals Demand Transparency

¶3. (SBU) A ChevronTexaco contact reports that the major oil companies are prepared to import fuel as soon as the GOZ allows them to sell fuel at a market price. The contact is adamant that the oil companies will not move until they are assured (in writing) of several constants: first, that they are given the authority to source forex on the parallel market, without which many multinationals cannot legally secure the necessary funds; second, that they are allowed to price the fuel at a viable price depending upon the parallel market cost of forex; and third, that the price structure is transparent and clearly published to the public. The ChevronTexaco rep is keenly aware of the bad publicity multinationals will attract if fuel prices escalate; however, he hopes that publishing the cost of importing the fuel will deflect that public anger from his own company. Another businessman with excellent government contacts indicates that ongoing negotiations between the GOZ and multinationals may result in a pump price of around Z$1400.

Four to Five Week Delay in Delivery

¶4. (SBU) Additionally, the ChevronTexaco source notes that if his company is to import even at the (reduced) rate of 2.5 million liters per day, it will be forced to resort to pipeline movements and railcars, rather than depending solely on road shipments. Since the National Oil Company of Zimbabwe (NOCZIM) controls the pipeline, this introduces additional delays. For instance, if the pipeline is currently filled with diesel, the fuel will have to be cleared from the pipeline and stored somewhere, while the gasoline is lined up and pumped through. Between shipping times, port delays, actual pumping, storing any fuel currently in the line, and delivering the fuel to the stations, he estimates that there is a 4-5 week delay in actually getting fuel to the pumps.

Comment

¶5. (SBU) Multinational oil companies and independent dealers continue to be wary of "deals" with the GOZ -- they have been burnt before when acting in good faith, and will

not act now without necessary safeguards and guarantees. The looked-for announcement allowing them to import and sell at market prices while bypassing NOCZIM, an important step in economic liberalization, may materialize as early as next week but is not yet a done-deal. The GOZ will clearly not gain public support from steep price increases, and may have been reluctant to make such an announcement in the midst of the MDC's stayaway. Such a significant increase will also boost inflation, another blow against the GOZ. It is clear, however, that without taking this step, the GOZ has very little hope of returning fuel to the stations.

Sullivan